

Message Text

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PAGE 01 OECD P 12619 01 OF 07 292115Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

ERDA-05 DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04

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PAGE 02 OECD P 12619 01 OF 07 292115Z

C O N F I D E N T I A L SECTION 1 OF 7 OECD PARIS 12619

E.O. 11652: GDS

TAGS: OECD, EGEN, CIEC, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC: APRIL ROUND - LAST DAY

BEGIN SUMMARY. ON APRIL 28 CIEC APRIL ROUND ENDED AS SCHEDULED WITH ALL 4 COMMISSIONS HAVING MADE PROGRESS IN ANALYSIS OF AGENDA ITEMS. THE APRIL ROUND PRODUCED NO CONSENSUS DOCUMENT ALTHOUGH G-19 DID ISSUE UNILATERAL STATEMENT (SEE SEPTTEL).

2. AT INTERESTING AND PRODUCTIVE DISCUSSION ON FINAL DAY, ENERGY COMMISSION CONTINUED EXCHANGE OF VIEWS ON PAPERS TABLED PREVIOUSLY AND ALSO TOOK UP SEVERAL NEW PAPERS, INCLUDING G-19 PAPER ON PROTECTION OF PURCHASING POWER (INDEXATION). WHILE MOST OPEC REP COMMENTS REPEATED PREVIOUS THEMES, SEVERAL OF PRODUCERS CONCEDED FOR FIRST TIME AT CIEC THAT PRICE INCREASES HAD CONTRIBUTED TO DETERIORATION IN LDC BOP SITUATION AND "MIGHT HAVE ACCELERATED" WORLD INFLATION. THERE WERE HINTS FOR FIRST TIME OF A CHALLENGE FROM EDDC'S TO OIL PRODUCERS TO EFFECT THAT EDDC PROBLEMS MAY NOT REALLY BE SAME AS OPEC COUNTRY PROBLEMS. AT END OF ENERGY COMMISSION MEETING, CO-CHAIRMAN BOSWORTH MADE LENGTHY ORAL SUMMATION OF WHAT HE PERSONALLY FELT TO BE AREAS OF CONVERGENCE AND DIVERGENCE TO DATE IN ENERGY COMMISSION.

3. DEVELOPMENT COMMISSION DISCUSSED INDUSTRIALIZATION DURING THE APRIL 28 SESSION BUT WAS NOT ABLE TO COMPLETE DISCUSSION AND WILL TAKE SUBJECT UP AGAIN AT JUNE SESSION. PAKISTANI DEL PRESENTED LONG LIST OF DEMANDS FOR G-19 BASED ON LIMA DECLARATION. G-15 PRESENTATIONS STRESSED THAT INDUSTRIALIZATION SHOULD BE SEEN AS PART OF OVERALL DEVELOPMENT PROCESS RATHER THAN AS AN END IN ITSELF AND OUTLINED HOW TRADE LIBERALIZATION MEASURES, INDUSTRIAL COOPERATION ARRANGEMENTS, FINANCIAL AND TECHNICAL ASSISTANCE, AND DC ADJUSTMENT POLICIES ENCOURANGE LDC INDUSTRIALIZATION. AT END OF MEETING AND WITHOUT FULLY CONSULTING OTHER G-19 DELS, YUGOSLAV DEL
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PAGE 03 OECD P 12619 01 OF 07 292115Z

CIRCULATED DRAFT CONSENSUS DOCUMENT FOCUSING ON ODA FLOWS AND TECHNOLOGY TRANSFER. G-5 INDICATED WILLINGNESS TO ATTEMPT TO WORK OUT AGREED DOCUMENT, BUT AFTER LENGTHY CAUCUSING, G-19 WITHDREW PROPOSAL.

4. IN FINANCE COMMISSION DISCUSSION OF DEBT CONTINUED AS G-8 AND G-19 ELABORATED CONTRASTING POSITIONS ON NECESSITY AND APPROPRIATENESS OF GENERAL-

IZED DEBT RELIEF. INDIANS (FOR G-19) INTRODUCED
SUBJECT OF ODA AND ADVANCE NUMEROUS PROPOSALS FOR
INCREASING QUANTITY AND QUALITY OF BILATERAL AND
MULTILATERAL ASSISTANCE. DONDELINGER'S UP-BEAT ORAL
SUMMARY OF APRIL SESSION WAS QUALIFIED BY YEGANEH WHO
EXPRESSED G-19'S DISAPPOINTMENT THAT SESSION HAD
NOT MOVED FURTHER TOWARD FINDING SOLUTIONS TO LDC'S
PROBLEMS. JUNE FC SESSION WORK PROGRAM OUTLINED
INCLUDES: (A) CONTINUE DISCUSSION OF DEBT (DEPENDING
ON UNCTAD RESULTS), OF SURPLU ASSETS OF OPEC AND
OF ODA; (B) BEGIN TREATMENT MONETARY SAPECTS OF
FINANCIAL ISSUES AND OF COOPERATION AMONG LDC'S.

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PAGE 01 OECD P 12619 02 OF 07 292203Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

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PAGE 02 OECD P 12619 02 OF 07 292203Z

C O N F I D E N T I A L SECTION 2 OF 7 OECD PARIS 12619

5. APRIL SESSION OF RAW MATERIALS COMMISSION CAME QUIETLY TO CLOSE WITH DC'S COMMENTS ON G-19 PAPER ON TRANSPORT/MARKETING/DISTRIBUTION, LAST OF 7 TABLED BY LDC'S IN MARCH. COMMISSION AGREED TO CONTINUE WITH WORK PROGRAM IN JUNE, TAKING ACCOUNT OF RESULTS OF UNCTAD-4. IN PRIVATE ASIDE TO US DEL, LDC COCHAIRMAN ALZAMORA SAID THAT LDC'S FOUND U.S. APPROACH CONSTRUCTIVE AND THAT APRIL 26 STATEMENT CRITICIZING DC'S HAD NOT BEEN AIMED AT U.S.

6. CIEC COMMISSIONS WILL RESUME FORMAL DELIBERATIONS IN JUNE. DATES OF MID-YEAR HIGH OFFICIALS MEETING HAVE NOT YET BEEN SET. END SUMMARY

ENERGY COMMISSION

7. AT INTERESTING AND PRODUCTIVE DISCUSSION (AT LEAST FROM DC STANDPOINT) ON FINAL DAY, COMMISSION CONTINUED EXCHANGE OF VIEWS ON PAPER TABLED PREVIOUSLY AND ALSO TOOK UP FOLLOWING NEW PAPER: G-19 PAPER ON PROTECTION OF PURCHASING POWER (INDEXATION); OPEC SECRETARIAT PAPERS ON INFLATIONARY IMPACT OF PRICE ADJUSTMENTS AND COST COMPOSITION OF OIL BARREL, AND PAST PRICING TRENDS; AND OAPEP PAPERS WERE NOT DISCUSSED IN ANY DETAIL BECAUSE OF LACK OF TIME. MOST OF DISCUSSION CONTINUED FOCUS ON U.S. PAPERS, PARTICULARLY PAPER ON PRICE IMPACT ON LDC'S. WHILE MOST OPEC REP COMMENTS REPEATED PREVIOUS THEMES, SEVERAL OF PRODUCERS CONCEDED FOR FIRST TIME AT CIEC THAT PRICE INCREASES HAD CONTRIBUTED TO DETERIORATION IN LDC BOP SITUATION AND "MIGHT HAVE ACCELERATED" WORLD INFLATION, BUT NOT TO EXTENT CLAIMED BY DC'S.

OTHER G-19 REPS ATTEMPTED DISCREDIT METHODOLOGY OF U.S. PAPER. IRANIAN REP SAID ALL DC PAPERS GREATLY EXAGGERATED PRICE IMPACT PROBLEM, ALTHOUGH EXAGGERATIONS HAD BEEN OFFSET SOMEWHAT BY ORAL INTERVENTIONS BY DC'S. SINCE ALL THAT REMAINED IN RECORDS WERE WRITTEN TEXTS, CONFIDENTIAL

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PAGE 03 OECD P 12619 02 OF 07 292203Z

HE BELIEVED WRITTEN SUMMARY OF CONCLUSIONS BY TWO CO-CHAIRMEN MIGHT BE USEFUL TO REFLECT MORE ACCURATELY ACTUAL PROGRESS IN COMMISSION DISCUSSIONS TO DATE.

8. MOST INTERESTING ASPECT OF DISCUSSION ON LDC IMPACT PAPER WERE COMMENTS BY EDDC'S. INDIAN REP EXPRESSED APPRECIATION FOR RECOGNITION IN COMMISSION PAPERS OF EXTREMELY GRAVE EDDC PROBLEMS. HE SAID INDIA'S OWN PROBLEMS NEEDED BE ADDRESSED IMMEDIATELY, AND HE QUESTIONED WHETHER "SUFFICIENT TIME WERE AVAILABLE TO GET COMPLETE AGREEMENT ON NIEO BEFORE THESE SHORT TERM PROBLEMS COULD BE TACKLED." HE SAID WHAT WAS NEEDED WAS QUICK AGREEMENT ON SOME IMMEDIATE INTERIM MEASURES. JAMAICAN REP EXPRESSED APPRECIATION FOR "NOTE OF NEW REALISM" WHICH CHARACTERIZED COMMISSION DELIBERATIONS ONCE DISCUSSION OF LDC PROBLEMS BEGAN. SINCE COMMISSION WAS NOW BEGINNING TO "COME TO GRIPS WITH REAL PROBLEMS," HE SUGGESTED THAT SUMMARY RECORD OF AGREED CONCLUSIONS WOULD BE EXTREMELY USEFUL. CONCERNING U.S. PAPER, HE FELT IT DEMONSTRATED THE SUBSTANTIAL FOREIGN EXCHANGE LOSSES EDDC'S HAD EXPERIENCED, ALTHOUGH PAPER MIGHT HAVE OVERSTATED INDIRECT IMPACT OF OIL PRICE INCREASES, AND IMPACT OF WESTERN INFLATION HAD PROBABLY BEEN GREATER THAN IMPACT OF OIL PRICE HIKES. JAMAICAN REP ALSO STRESSED THAT ENERGY COMMISSION PROGRESS WAS LINKED TO PROGRESS IN OTHER THREE COMMISSIONS, AND TO OTHER FORA. IN THIS REGARD, HE FELT IT "MOST UNFORTUNATE" THAT DISCUSSION IN OTHER FORA INCREASINGLY WAS FOCUSING ON MSA PROBLEM, AND THAT TERMS OF ASSISTANCE TO NON-MSA LDC'S WERE BEING STIFFENED. HE HOPED ALL PARTICIPANTS "WOULD BEAR JAMAICAN VIEWS ON THIS MOST UNFORTUNATE DEVELOPMENT WELL IN MIND." BRAZILIAN REP POINTED OUT BRAZIL WAS ONE OF LDC'S MOST AFFECTED BY OIL PRICE INCREASES, SHOULDERING 25 PERCENT OF TOTAL EDDC OIL IMPORT BILL. HE WAS ENCOURAGED THAT EDDC PROBLEM WAS CLEARLY RECOGNIZED IN COMMISSION DISCUSSION, AND HOPED CONCRETE MEASURES OF ASSISTANCE WOULD BE PROPOSED.

9. SHORT G-19 PAPER ON PROTECTION OF PURCHASING POWER WAS RECEIVED SO LATE IN SESSION THAT IT WAS CONFIDENTIAL

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PAGE 04 OECD P 12619 02 OF 07 292203Z

SUBJECT OF ONLY BRIEF DISCUSSION. PAPER APPEARED BE
COMPOSITE, COMPROMISE EFFORT, AND MADE GENERALLY WEAK
CASE FOR INDEXATION. IT SAID FOLLOWING ELEMENTS
SHOULB BE TAKEN INTO ACCOUNT IN ANY INDEXING SCHEME:
CURRENCY FLUCTUATIONS; CHANGE IN COSTS OF IMPORTED
GOODS AND SERVICES; AND , INCREASES IN COST OF ACQUIRING
TECHNOLOGICAL CAPITAL. PAPER ALSO NOTED: IMPORT PRICE
INDEX SHOULD BE DEVELOPED BY PRODUCERS, NOT BY DC'S;
PRODUCERS RESERVED RIGHT TO REEXAMINE DEGREE OF COMPETI-
TIVENESS AMONG VARIOUS ENERGY SOURCES WHENEVER NECESSARY
(E.G. IF PRODUCERS BELIVEV OIL PRICES ARE BECOMING LESS
COMPETITIVE THEY COULD RAISE OIL PRICES INDEPENDENT OF
THE INDEX); AND, ANY INDEXATION ARRANGEMENT WOULD BE
ESTABLISHED AS A SOVEREIGN RIGHT OF LDC'S CONCERNED.
SWISS DEL ATTACKED PAPER HEAD-ON POINTING OUT THERE NO
TECHNICALLY FEASIBLE OR ECONOMICALLY SOUND WAY TO
CONSTRUCT AN INDEXATION INDEX, AND G-19 PAPER "DIDN'T
DISPEL EXISTING DOUBTS IN THIS REGARD." EC REP TOOK
MORE MODERATE STANCE, STRESSING VALUES OF MARKET
MECHANISM AND INHERENT DIFFICULTIES OF ANY INDEXATION

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PAGE 01 OECD P 12619 03 OF 07 292215Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

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ERDA-05 DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04

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O R 292015Z APR 76
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PAGE 02 OECD P 12619 03 OF 07 292215Z

C O N F I D E N T I A L SECTION 3 OF 7 OECD PARIS 12619

ARRANGEMENTS BUT POINTING OUT INSUFFICIENT TIME
AVAILABLE TO STUDY G-19 PROPOSAL, WHICH SHOULD BE
TREATED IN DETAIL AT JUNE SESSION. OPEC REPS DEFENDED
INDEXATION CONCEPT, POINTING OUT WESTERN WORLD ALREADY
USES IT IN RELATIONS WITH LDC'S IN FORM OF ESCALATION
CLAUSES IN BUSINESS CONTRACTS. OPEC REPS WERE
OBVIOUSLY UNCOMFORTABLE, HOWEVER, WITH SOME ASPECTS OF
G-19 PAPER. PRODUCERS POINTED OUT THAT PROTECTION OF
PURCHASING POWER WAS REAL OBJECTIVE, AND "ANY OTHER
METHOD WHICH MIGHT ACCOMPLISH THIS OBJECTIVE WOULD BE
CONSIDERED." THEY HOPED DC'S MIGHT MAKE SOME SPECIFIC
PROPOSALS IN THIS REGARD.

10. AT END OF ENERGY COMMISSION MEETING, CO-CHAIRMAN
BOSWORTH (ON BEHALF OF TAHER, WHO HAD TO LEAVE EARLY)
MADE LENGTHY ORAL SUMMATION OF WHAT HE PERSONALLY FELT
TO BE AREAS OF CONVERGENCE AND DIVERGENCE TO DATE IN
ENERGY COMMISSION (HE NOTED IT STILL TOO EARLY TO

ATTEMPT DEVELOP AGREED WRITTEN CONCLUSIONS). MAIN POINTS OF SUMMARY, TO WHICH NONE OF OTHER DELEGATIONS TOOK EXCEPTION (AND WHICH IRANIAN AND IRAQI DELS LATER PRIVATELY REFERRED TO AS "OBJECTIVE") WERE AS FOLLOWS:

- 1) WORLD IS IN PERIOD OF TRANSITION IN ENERGY USE;
- 2) HYDRO-CARBON RESOURCES ARE FINITE; 3) RATE OF DEPLETION IS A FUNCTION OF AMOUNT OF RESERVES. GROUP IS DISAGREED ON EXTENT OF THESE RESERVES AND THEREFORE ON PROPER DEPLETION RATES; 4) USE OF OIL AND GAS SHOULD BE REDUCED OVER TIME THROUGH CONSERVATION, DEVELOPMENT OF ALTERNATIVE SOURCES, R&D ETC. 5) OIL HAS UNIQUE VALUES OF FORM. TRANSPORTABILITY ETC. AND WORL SHOULD THEREFORE CONCENTRATE ON USE OF LIGHTER PROCUCTS, FOR WICH NO PRESENT SUBSTITUTES EXIST; 6) OIL WILL REMAIN, FOR AN UNAGREED PERIOD OF TIME, THE TRANSITION FUEL; 7) ADEQUATE SUPPLIES OF OIL TO DC'S AND LDC'S THROUGH THIS TRANSITION PERIOD MUST BE MAINTAINED; 8) TRANSITION SHOULD BE AS SMOOTH AS POSSIBLE, TAKING INTO ACCOUNT GLOBAL ECONOMIC WELFARE, AND ENSURING PRODUCER COUNTRIES AND LDC'S THE BENEFITS DUE THEM; 9) FOR

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PAGE 03 OECD P 12619 03 OF 07 292215Z

PRODUCERS, ENERGY EXPORT EARNING WILL BE PRIMARY BASIS FOR FUTURE DEVELOPMENT; 10) EDDC'S WILL REQUIRE ASSISTANCE FROM OTHER COUNTRIES; 11) PRICE WILL BE AN IMPORTANT ELEMENT IN TRANSITION PERIOD, TO SOME EXTENT AFFECTING THE SHORT-TERM COMPETITIVE STATUS OF AVAILABLE ALTERNATIVE SOURCES AND THE LONG-TERM COMPETITIVE STATUS OF ALTERNATIVE SOURCES YET TO BE DEVELOPED AS WELL AS THE CONTROL OF INFLATION, THE SPECIAL NEEDS OF EDDC'S FOR ENERGY AND OTHER DEVELOPMENT RESOURCES, AND THE DEVELOPEMENT NEEDS OF PRODUCERS SO THEY CAN PREPARE FOR TIME WHEN ENERGY RESOURCES ARE DEPLETED; 12) OIL PRICE INCREASES WERE NOT SOLE CAUSE OF INFLATION BUT WERE A FACTOR, ALTHOUGH GROUP CANNOT NOW AGREE EXACTLY WHAT EXTENT; 13) COMMISSION SHOULD NOT SPEND TOO MUCH TIME DISCUSSING HISTORY, BUT SHOULD BE AWARE OF INTERRELATIONSHIPS WHICH DO EXIST; 14) EFFECTS OF PRICE INCREASES CANNOT BE CONTAINED OR ISOLATED. THEY SPREAD WITHIN DOMESTIC ECONOMIES AND BETWEEN ALL COUNTRIES; 15) HELPING EDC'S TO MEET SHORT-TERM FOREIGN EXCHANGE PROBLEMS AND LONG-TERM ENERGY TRANSITION PROBLEMS ARE RESPONSIBILITY OF ALL CONCERNED; 16) PROTECTION OF PURCHASING POWER OF EXPORT EARNINGS IS A DIFFICULT ISSUE, BUT ALL AGREE IT LEGITIMATE AREA OF CONCERN FOR OIL EXPORTERS. AT NEXT MEETING, COMMISSION WILL EXAMINE WAYS IN WHICH PROBLEM MIGHT BE AMELIORATED. BOSWORTH CONCLUDED BY NOTING THAT PRICE ISSUE, INCLUDING INDEXATION ASPECT, WOULD BE DISCUSSED AGAIN AT JUNE SESSION, WHEN COMMISSION FORMALLY TAKES UP SECURITY

OF SUPPLY AGENDA TOPIC.

11. COMMENT: IN DISCUSSIONS TO DATE, DC PARTICIPANTS HAVE ACHIEVED SEVERAL MAJOR OBJECTIVES IN ENERGY COMMISSION: FIRST, DESPITE OCCASIONAL BACKLASHES AND RHETORICAL FLOURISHES FROM OPEC REPS, DC'S HAVE SUCCEEDED IN GETTING G-19 TO SIT DOWN AND DISCUSS EXTREMELY SENSITIVE ENERGY AND ENERGY-RELATED ISSUES IN GENERALLY CONSTRUCTIVE AND OBJECTIVE FASHION. SECOND, AT FINAL DAY'S SESSION THERE WERE HINTS FOR FIRST TIME OF A CHALLENGE FROM EDDC'S TO OIL PRODUCERS TO EFFECT THAT EDDC PROBLEMS MAY NOT REALLY BE SAME AS OPEC COUNTRY PROBLEMS. PARTLY IN RESPONSE TO U.S. PAPERS
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PAGE 04 OECD P 12619 03 OF 07 292215Z

EDDC'S ARE NOW PUBLICLY ASKING PRODUCERS AS WELL AS DC'S "WHAT CAN YOU DO FOR US?" IN FACT IRANIAN DEL INDICATED PRIVATELY TO USDEL AT ONE POINT THAT WHETHER INTENTIONAL OR NOT DC'S HAD SUCCEEDED IN DRIVING PARTIAL WEDGE INTO G-19 CAMP. THIS MAY HAVE SOME ARGINAL IMPACT ON UPCOMING OPEC PRICING DECISION. THIRD, CLOSING STATEMENTS BY SOME OF PRODUCERS INDICATED THEY MAY FINALLY BE BEGINNING TO REALIZE THEY CANNOT ESCAPE CONSEQUENCES OF THEIR OWN PRICING DECISIONS. FINALLY, ON PROTECTION OF PURCHASING POWER QUESTION, OPENING HAS BEEN PROVIDED FOR DC'S TO RESPOND IN BROADEST POSSIBLE WAY THROUGH STABILIZATION OF EXPORT EARNINGS APPROACH AND EMPHASIS ON INFLATION CONTROL.

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PAGE 01 OECD P 12619 04 OF 07 292242Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

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PAGE 02 OECD P 12619 04 OF 07 292242Z

C O N F I D E N T I A L SECTION 4 OF 7 OECD PARIS 12619

DEVELOPMENT COMMISSION

12. AGENDA FOR DISCUSSION OF INDUSTRIALIZATION WAS QUATE (A) GENERAL ANALYSIS OF SITUATION, INCLUDING PROBLEMS OF WORLD INDUSTRIAL SUTRUCTURES, AND (B) STEPS TO BE TAKEN INFRAMEWORK OF INTERNATIONAL COOPERATION INORDER TO SPEED UP LDC INDUSTRIALIZATION UNQUOTE. PAKISTANI DEL OPENED DEBATE BY PRESENTING LIST OF 35 G-19 DEMANDS WHICH WERE BASED UPON GOALS OF LIMA DELCARATION AND DEALT WITH INDUSTRIAL RESTRUCTURING, CONSULTATIONS FOR REDEPLOYMENT OF INDUSTRIES, MARKET ACCESS, THE MTN, FINANCIAL AND TECHNICAL ASSISTANCE, INDUSTRIAL COOPERATION ARRANGEMENTS, AND INSTITUTIONAL ISSUES. G-5DELS RESPONDED WITH GENERAL ANALYSES OF

INDUSTRIALIZATION PROCESS WHICH EMPHASIZED THAT INDUSTRIALIZATION IS PART OF OVERALL DEVELOPMENT PROCESS RATHER THAN AN END IN ITSELF AND TOUCHED UPON HOW REDUCTION OF TRADE BARRIERS, INDUSTRIAL COOPERATION PROGRAMS, FINANCIAL AND TECHNICAL ASSISTANCE AND ADJUSTMENT ASSISTANCE PROGRAMS ENCOURAGE INDUSTRIALIZATION IN LDC'S. U.S. ALSO NOTED UNGA 7TH SPECIAL SESSION PROPOSALS FOR EXPANSION OF IFC, INTERNATIONAL INVESTMENT TRUST, AND III. G-5 DELS REBUTTED G-19 CONCEPTION OF INDUSTRIAL REDEPLOYMENT BY FIAT. U.S., JAPAN AND SWEDEN EXPRESSED READINESS TO PARTICIPATE IN CONSULTATIONS UNDER UNIDO AUSPICES AS LONG AS THEY ARE GEARED TOWARDS DISCUSSING FACTORS NECESSARY FOR SUCCESSFUL INDUSTRIALIZATION AND NOT INDUSTRIAL REDEPLOYMENT. U.S. AND SWEDEN SUPPORTED SECTORAL APPROACH WHILE JAPAN SUGGESTED BEGINNING UNIDO CONSULTATIONS WITH DISCUSSION OF ADJUSTMENT ASSISTANCE POLICIES. SWEDEN AND JAPAN SUPPORTED TRANSFORMATION OF UNIDO INTO SPECIALIZED AGENCY. ALGERIAN WAS ONLY G-19 DEL OTHER THAN PAKISTAN TO SPEAK. HIS PRESENTATION WAS A HARANGUE IN SUPPORT OF LIMA DECLARATION IN WHICH HE DENIED VALIDITY OF POINTS MADE BY G-5 ON ROLE OF PRIVATE SECTOR IN INDUSTRIALIZATION. TIME RAN OUT BEFORE DISCUSSION COULD BE COMPLETED AND COMMISSION DECIDED TO RETURN TO INDUSTRIALIZATION AT JUNE SESSION.

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PAGE 03 OECD P 12619 04 OF 07 292242Z

13. AIT-CHALLAL EARLIER ANNOUNCED THAT G-19 HAD TURNED DOWN DRAFT HORIZONTAL STATEMENT PROPOSED BY CONFERENCE CO-CHAIRMEN AND WANTED TO HAVE COMMISSION ISSUE CONSENSUS DOCUMENT. WITHOUT HAVING FULLY CONSULTED WITH OTHER G-19 DELS, YUGOSLAV PROPOSED THAT COMMISSION AGREE ON DOCUMENT OUTLINING CONSENSUS VIEWS RESULTING FROM DISCUSSION OF TRANSFER OF RESOURCES AND TRANSFER OF TECHNOLOGY. HE CIRCULATED DRAFT WHICH COVERED A NUMBER OF POINTS IN GENERAL TERMS, SUCH AS NECESSITY TO INCREASE ODA AND ENLARGE CAPITAL BASE OF IFI'S, IMPORTANCE OF TECHNOLOGY TRANSFER, AND NEED TO REVIEW PARIS CONVENTION AND ESTABLISH CODE OF CONDUCT FOR TRANSFER OF TECHNOLOGY. SWEDISH DELS SUPPORTED PROPOSAL AND SUGGESTED THAT REFERENCES TO DEBT PROBLEM OF POOREST LDC'S AND IFAD BE ADDED. U.S. DEL EXPRESSED HOPE THAT COMMISSION COULD AVOID SPENDING TOO MUCH TIME AND ENERGY DRAFTING RESOLUTIONS AND ARGUED THAT IT SHOULD INSTEAD FOCUS ITS EFFORTS ON THE SUBSTANCE OF THE ISSUES TAKEN UP. HE PRAISED THE YUGOSLAV'S ATTEMPT TO BE CONSTRUCTIVE, HOWEVER, AND EXPRESSED HIS WILLINGNESS TO WORK WITH OTHER COMMISSION MEMBERS TO COME UP WITH A TEXT ACCEPTABLE TO ALL. HE ADDED FURTHER THE VIEW THAT ANY CON-

SENSUS DOCUMENT SHOULD REFER ONLY TO SPECIFIC ISSUES WHICH WERE DUE FOR DECISION IN NEAR FUTURE, SUCH AS IFAD HAD BEEN AT MARCH SESSION, AND NOT INCLUDE GENERAL PLATITUDINOUS STATEMENTS UPON WHICH COMMISSION WOULD HAVE DIFFICULTY AGREEING ON SPECIFIC LANGUAGE AND WHICH WOULD SERVE NO USEFUL ENERGIZING PURPOSE. JAPANESE DEL ECHOED THIS COMMENT SAYING HE PREFERRED TO PINPOINT ISSUES IN DOCUMENT. SINCE NO DELEGATION SPOKE AGAINST PROPOSAL, AIT-CHALLAL PROPOSED THAT DRAFTING GROUP (YUGOSLAVIA, PAKISTAN, ZAIRE, U.S., EC, AND SWEDEN) MEET TO REDRAFT DOCUMENT FOR COMMISSION APPROVAL. MEETING ADJOURNED, BUT AFTER DELAYING CONVENING OF DRAFTING GROUP, &-19 INFORMED G-8 THAT IT DID NOT WANT TO DRAFT A CONSENSUS DOCUMENT AFTER ALL, GIVING TWO REASONS: (A) SOME G-19 DELS WANTED TO ADD TO DOCUMENT AND STRENGTHEN IT BUT FELT THAT G-5 ACCEPTANCE WOULD NOT BE OBTAINED IN VIEW OF TIME CONSTRAINT AND DESIRE OF SOME G-5 MEMBERS FOR A LIMITED AND FOCUSED DOCUMENT; CONFIDENTIAL

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PAGE 04 OECD P 12619 04 OF 07 292242Z

AND (B) SOME G-19 DELS WOULD HAVE PREFERRED HORIZONTAL STATEMENT COVERING PROGRESS MADE IN ALL FOUR COMMISSIONS AND DID NOT FEEL IT WOULD BE PROPER TO HAVE POSITIVE STATEMENTS EMERGE FROM ONLY ONE COMMISSION. DELEGATION'S COMMENTS TRANSMITTED SEPTTEL.

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PAGE 01 OECD P 12619 05 OF 07 292245Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

ERDA-05 DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04

SAM-01 OES-06 SS-15 STR-04 FEA-01 AGR-05 USIE-00

INRE-00 NSCE-00 SSO-00 OIC-02 /151 W

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O R 292015Z APR 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 1793

INFO ALL OECD CAPITALS 230

AMEMBASSY ALGIERS

AMEMBASSY JIDDA

AMEMBASSY BUENOS AIRES

AMEMBASSY BRASILIA

AMEMBASSY YAOUNDE

AMEMBASSY NEW DELHI

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PAGE 02 OECD P 12619 05 OF 07 292245Z

C O N F I D E N T I A L SECTION 5 OF 7 OECD PARIS 12619

CIEC (FC)

14. AT APRIL 27 FC MEETING YEGANEH SOUGHT TO BUTTRESS CLAIM THAT OPEC SURPLUSES "UNIQUE" USING FOLLOWING QUOTE FROM JUNE, 1974 C-20 REPORT ON INTERNATIONAL MONETARY REFORM (PARA 9); "IN THE ADJUSTMENT PROCEDURES DESCRIBED ABOVE SEPARATE ARRANGEMENTS WILL NEED TO BE MADE FOR A LIMITED NUMBER OF COUNTRIES WITH LARGE RESERVES DERIVING FROM DEPLETABLE RESOURCES AND WITH A LOW CAPACITY TO ABSORB IMPORTS". (STATEMENT, OF COURSE, LIFTED OUT OF ITS PROPER CONTEXT OF SYMMETRIC RESPONSIBILITY OF DEFICIT AND SURPLUS COUNTRIES IN BALANCE OF PAYMENTS ADJUSTMENT PROCESS).

15. U.S. RESPONDED TO G-19 PROPOSALS FOR GENERALIZED APPROACH TO DEBT RELIEF WITH DETAILED STATEMENT WHOSE

THRUST WAS THAT MSAS DIFFERED SUBSTANTIALLY WITH RESPECT TO: (A) THE MAGNITUDE OF THEIR ECONOMIC PROBLEMS; (B) THEIR DEBT BURDEN (MEASURED BY DEBT SERVICE RATIOS AND BY IMPORT COVERAGE OF RESERVES) AND (C) THE DEGREE TO WHICH THEY HAD USED EXISTING INSTITUTIONAL FINANCING SOURCES (IMF CREDIT TRANCHES, ETC). U.S. ANALYSIS SHOWED THAT COUNTRIES WITH MOST SEVERE DEBT BURDEN WERE NOT, IN MOST CASES, THOSE WITH MOST SEVERE DEVELOPMENT PROBLEMS; THUS, GENERALIZED DEBT RELIEF WOULD BE INEQUITABLE FROM LDC STANDPOINT. U.S. ARGUED FURTHER THAT GENERALIZED RELIEF COULD GENERATE OFFSETTING FORCES, I.E. REDUCTION OF DC ABILITY TO SECURE FUTURE ODA INCREASES; ADVERSE IMPACT ON LDC CREDIT-WORTHINESS AND, HENCE, ON THEIR ABILITY TO BORROW ON PRIVATE MARKET. U.S. CONCLUDED THAT GENERALIZED RELIEF NEITHER NECESSARY NOR APPROPRIATE AND STRONGLY ADVOCATED CASE BY CASE APPROACH.

16. JAPAN (AND SWISS WHO STRESSED NEED FOR DIS-AGGREGATED ANALYSIS) NOTED COMPLEXITY OF DEBT QUESTION AND DIVERSITY OF LDC CIRCUMSTANCES, AND REITERATED CALL FOR CASE BY CASE APPROACH. THEY TERMED LDC CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OECD P 12619 05 OF 07 292245Z

DEBT BURDEN A BALANCE OF PAYMENTS PROBLEM AND POINTED TO PROSPECT OF IMPROVEMENT IN LDC EXPORTS (DUE TO OECD RECOVERY) AND TO KINGSTON ARRANGEMENTS AS FACTORS ALLEVIATING THAT PROBLEM. (IMF PROVIDED FURTHER DETAILS ON KINGSTON ARRANGEMENTS).

17. SWEDES CRITICIZED U.S. PROPOSAL BY NOTING THAT DEBT RELIEF WAS APPROPRIATE MEANS OF PROVIDING ASSISTANCE, (I.E., PROVIDES IMMEDIATE FOREIGN EXCHANGE INFUSION) AND THAT REDUCTION OF LDC BURDEN OF ODA DEBT COULD ACT TO INCREASE THEIR CREDIT WORTHINESS VISAVIS PRIVATE MARKET. SWEDES DESCRIBED THEIR OWN PROPOSAL AS ONE-SHOT GENERAL DEBT RELIEF FOR MSAS, AND STRESSED THAT AS SUCH IT NOT INCONSISTENT WITH "CASE BY CASE" APPROACH NOR DESIGNED TO REPLACE SAME. SWEDES FELT THAT AT NAIROBI COUNTRIES SHOULD GIVE COMMITMENT IN PRINCIPLE TO RELIEVE LDC DEBT BURDEN AND SHOULD ADOPT GENERAL GUIDELINES TO THIS END. DETAILS COULD BE WORKED OUT LATER IN BILATERAL OR MULTILATERAL FRAMEWORK.

18. INDIANS LED G-19 RESPONSE TO U.S. PRESENTATION MAKING FOLLOWING POINTS: (A) DEBT RELIEF IS SUPERIOR TO ODA AS FORM OF ASSISTANCE (BECAUSE MORE PROMPT AND UNTIED); (B) CASE BY CASE AND GENERALIZED APPROACH ARE NOT MUTUALLY EXCLUSIVE; (C) DEBT RELIEF MUST BE

SEEN IN DEVELOPMENT RATHER THAN COMMERCIAL CONTEXT;
LENGTHENING REPAYMENT PERIODS FOR OFFICIAL LOANS
APPROPRIATE AND SHOULD NOT IMPACT ADVERSELY (BUT
RATHER POSITIVELY) ON COMMERCIAL CREDIT WORTHINESS;
(E) GENERALIZED CRITERIA FOR DEBT RELIEF IN EXCEPTIONAL
CIRCUMSTANCES HAS PRECEDENT IN DC RELATIONSHIPS (1947
ANGLO-AMERICAN LOAN AGREEMENT). ZAMBIANS AND SAUDIS
EMPHASIZED GROWING SIZE OF LDC DEBT. (IMF REP
RESPONDED THAT SIZE OF ALL FINANCIAL MAGNITUDES, INCLUDING
SAVINGS, HAD GROWN). ZAMBIANS NOTED LIMITED SIZE
OF IMF OIL FACILITY, CRITICIZED ITS CONDITIONALITY,
AND STATED THAT 2/3 OF LENDING WENT TO DCS (ESPECIALLY
TO UK AND ITALY). SAUDIS QUESTIONED US VIEW ON NEGATIVE
EFFECT OF GENERALIZED DEBT RELIEF ON FUTURE ODA LEVELS
AND PRIVATE CAPITAL FLOWS.
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PAGE 04 OECD P 12619 05 OF 07 292245Z

19. UNCTAD REP REITERATED ABOVE POINTS AND ADDED THAT:
(A) COMMERCIAL CREDITORS HAVE BEEN MORE READY TO GRANT
DEBT RELIEF, AND/OR ROLL-OVER LOANS THAN OFFICIAL
CREDITORS; (B) IMF OIL FACILITY WAS EXAMPLE OF GENERAL-
IZED APPROACH AND (C) OECD FINANCIAL SUPPORT FUND

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PAGE 01 OECD P 12619 06 OF 07 292309Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

ERDA-05 DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04

SAM-01 OES-06 SS-15 STR-04 FEA-01 AGR-05 USIE-00

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O R 292015Z APR 76
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 1794
INFO ALL OECD CAPITALS 231
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AMEMBASSY JIDDA
AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA
AMEMBASSY YAOUNDE
AMEMBASSY NEW DELHI
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AMEMBASSY CARACAS
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AMEMBASSY LUSAKA
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AMEMBASSY NAIROBI
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OECD P 12619 06 OF 07 292309Z

C O N F I D E N T I A L SECTION 6 OF 7 OECD PARIS 12619

HAS NOT BEEN CRITICIZED AS POTENTIALLY IMPINGING ON
MEMBER COUNTRY CREDIT-WORTHINESS. (FAY OF OECD NOTED
STIFF CONDITIONALITY ATTACHED TO BORROWING UNDER
SUPPORT FUND).

20. INDIA OUTLINED G-19 POSITION ON ODA AND REITERATED
PROPOSALS ADVANCED IN APRIL 23 MEETING OF DEVELOPMENT
COMMISSION, (SEE OECD PARIS 12171).

21. AT END, CO-CHAIRMAN DONDELINGER SUMMARIZED ORALLY
APRIL FC SESSION. IN REGARD TO PROBLEMS OF MSA'S, HE
NOTED THERE WAS MUCH SYMPATHY FOR THE PLIGHT OF THESE
COUNTRIES, AND AGREEMENT IN PRINCIPLE WITH MANY OF THE
IDEAS EXPRESSED BY G-19 IN THIS AREA. MORE DISCUSSION
WILL HAVE TO TAKE PLACE ON MSA'S WHEN ODA IS STUDIED
FURTHER IN JUNE. FC SESSION. ON SUBJECT OF ACCESS TO
CAPITAL MARKETS, DONDELINGER SAID THAT PRIVATE CAPITAL
FLOWS ARE MAJOR AND GROWING SOURCE OF DEVELOPMENT

FINANCE, AND IT WAS AGREED THAT GOVERNMENTS SHOULD SEEK TO INCREASE THESE FLOWS AND THEIR CONTRIBUTION TO DEVELOPMENT. PROBLEM AREAS AND PROPOSALS INCLUDED LDC'S INTERNATIONAL CREDIT STANDING; PROVISION OF INCREASED TECHNICAL ASSISTANCE BILATERALLY AND MULTILATERALLY TO IMPROVE SAVINGS PERFORMANCE OF LDC'S, AND THEIR DOMESTIC FINANCIAL INFRASTRUCTURE; ESTABLISHMENT AND EXPANSION OF SECONDARY MARKETS FOR LDC SECURITIES AND PURCHASES OF SUCH SECURITIES BY IFI'S. DONDELINGER ALSO NOTED THAT IT MAY BE USEFUL FOR LDC'S TO BRING FORWARD SPECIFIC EXAMPLES OF WHERE THEY FEEL RULES AND REGULATIONS IN DL CAPITAL MARKETS MAY HAVE A SIGNIFICANT IMPACT ON LDC BORROWING AND TO CONSIDER WHAT COULD BE DONE TO SIMPLIFY THESE REGULATIONS AND EASE THEIR EFFECTS.

22. REGARDING DIRECT INVESTMENT, DONDELINGER NOTED THAT CONDITIONS SHOULD BE ESTABLISHED TO ENSURE THAT INVESTMENT IS BENEFICIAL TO HOST COUNTRY DEVELOPMENT AND RESPECTS THE LEGITIMATE INTERESTS OF INVESTORS. HOST GOVERNMENTS SHOULD ESTABLISH CLEAR AND STABLE
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PAGE 03 OECD P 12619 06 OF 07 292309Z

CONDITIONS FOR DIRECT INVESTMENT, UTILIZE MUTUALLY ACCEPTABLE ARBITRATION ARRANGEMENTS FOR THE SETTLEMENT OF INVESTMENT DISPUTES, AND PROVIDE MUTUALLY ACCEPTABLE ARRANGEMENTS FOR PROMPT, ADEQUATE, AND EFFECTIVE COMPENSATION IN EVENT OF NATIONALIZATION. OTHER PROPOSALS INCLUDE INCREASE IN RESOURCES OF IFC, ESTABLISHMENT OF AN INTERNATIONAL INVESTMENT TRUST UNDER AEGIS OF IFC AND ADDITIONAL TAX TREATIES TO AVOID NEGATIVE EFFECTS OF DOUBLE TAXATION AND CLARIFY TAX REGIMES. DONDELINGER EXPRESSED APPRECIATION FOR PRESENTATION BY SAUDI ARABIA ON SURPLUS ASSETS OF OIL - EXPORTING NATIONS AND NOTED THAT FC DISCUSSION ON THIS SUBJECT HAD ONLY BEGUN. THE FC DISCUSSION ON DEBT WAS ON AN EQUALLY INTRODUCTORY PHASE, SINCE ONLY SOME PROCEDURES FOR ANALYSIS AND POSSIBLE REMEDIES HAD BEEN DISCUSSED.

CO-CHAIRMAN YEGANEH ALSO CONSIDERED APRIL FC SESSION FRUITFUL. YET, DESPITE PROGRESS ACHIEVED, HE FELT COMPELLED TO REFLECT G-19 VIEWS THAT MORE PROGRESS HAD BEEN EXPECTED IN TERMS OF REACHING SOLUTIONS IN REGARD TO SOME OF THE PROBLEMS BROACHED. FC MUST ACCEPT IN FUTURE THE URGENCY OF THESE MATTERS, AND DISCUSS IN DETAIL PROPOSALS AND REACH AGREEMENT ON SOLUTIONS. OBJECTIVES OF BOTH CIEC AND UNCTAD ARE THE SAME, EVEN THOUGH THEY HAVE DIFFERENT FORM. HE EXPRESSED HOPE THAT JUNE FC SESSION WOULD BE REVITALIZED AND LOOK SERIOUSLY AT THE PROPOSALS OFFERED AT FIRST THREE CIEC SESSIONS.

24. DONDELINGER NOTED THAT AGENDA FOR JUNE FC SESSION WILL INCLUDE FOLLOW-UP ON DISCUSSIONS OF INDEBTEDNESS (DEPENDING ON RESULTS OF UNCTAD) OF SURPLUS ASSETS OF OIL-EXPORTING COUNTRIES AND OF ODA. IN ADDITION, DISCUSSION WOULD BEGIN ON TWO ADDITIONAL ITEMS FROM CO-CHAIRMAN LIST DEVELOPED AT FEBRUARY SESSION (SEE OECD PARIS 4646), NAMELY, FINANCIAL ASPECTS OF FINANCIAL ISSUES (ITEM G), AND COOPERATION AMONG LDC'S (ITEM F). QUESTION OF TWP MEETING AT TIME OF NEXT CIEC WAS DISCUSSED AT HEADS OF FC DELEGATIONS' LUNCH APRIL 28. THERE WAS INTEREST IN HOLDING SUCH A MEETING BUT DECISION WAS LEFT OPEN IN LIGHT OF EXTREMELY CONFIDENTIAL

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PAGE 04 OECD P 12619 06 OF 07 292309Z

HEAVY JUNE OECD SCHEDULE.

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PAGE 01 OECD P 12619 07 OF 07 292338Z

63

ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 NEA-10 IO-13 ISO-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00

OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01

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PAGE 02 OECD P 12619 07 OF 07 292338Z

C O N F I D E N T I A L SECTION 7 OF 7 OECD PARIS 12619

RAW MATERIALS COMMISSION

25. FINAL DAY OF RAW MATERIALS COMMISSION WENT SMOOTHLY AND THERE WAS NO PRESSURE FOR COMMISSION TO DEVELOP CONCLUSIONS OR JOINT RESOLUTION TO "ENERGIZE" UNCTAD-IV. DELS ACCEPTED SUGGESTION MADE BY DC CO-CHAIRMAN MIYAZAKI AT END OF MEETING THAT JUNE SESSION WOULD, TAKING ACCOUNT OF RESULTS OF NAIROBI CONFERENCE, CONTINUE WITH WORK PROGRAM AGREED IN FEBRUARY. AFTER MEETING WAS CONCLUDED, LDC CO-CHAIRMAN ALZAMORA SOUGHT OUT U.S. (WENDT) PRIVATELY TO SAY HIS (ALZAMORA'S) STATEMENT OF APRIL 26 HAD NOT BEEN AIMED AT U.S. HE SAID LDC'S FOUND U.S. APPROACH HAD POSITIVE ELEMENTS-- EVEN IF FRANKLY CRITICAL OF INTEGRATED PROGRAM--AND BELIEVED U.S. WAS ATTEMPTING TO DEAL CONSTRUCTIVELY WITH KEY RAW MATERIALS ISSUES. (STATEMENT WAS APPARENTLY AIMED MAINLY AT JAPANESE, ALTHOUGH REASON FOR THIS IS UNCLEAR.) ALZAMORA FURTHER EXPLAINED G-19 FELT CONSIDERABLE PRESSURE VIS-A-VIS G-77 TO ASSERT LDC POSITION FORCEFULLY PRIOR TO NAIROBI AND THAT G-19 DECLARATION ON CIEC AS A WHOLE TO BE ISSUED AT CLOSE OF SESSION SHOULD BE SEEN IN THAT LIGHT. HE CHARACTERIZED STATEMENT AS "MODERATE" THOUGH CRITICAL OF DC RESPONSE AT THIS SESSION.

26. ON QUESTION OF TRANSPORT/MARKETING/DISTRIBUTION

EC, U.S., AND JAPAN COMMENTED ON G-19 PAPER. EC DEL SUGGESTED CREATION OF MODEST LOCAL STOCKS WOULD HELP LDC'S BARGAINING POSITION IN THE MARKET, NOTED COMMUNITY WAS STILL STUDYING UNCTAD LINER CONFERENCE CODE, AND PLACED SPECIAL EMPHASIS ON TECHNICAL ASSISTANCE FOR TRAINING OF LDC PERSONNEL AND ON MARKET PROMOTION. JAPAN URGED THAT POSITIVE ROLE OF MNC'S BE KEPT IN MIND AND POINTED OUT THAT HIGH MARKUPS WERE OFTEN WARRANTED BY VALUE-ADDED IN MARKETING PROCESS, GIVING HAUTE COUTURE CLOTHING AS AN EXAMPLE. U.S. DEL SIMILARLY DEFENDED MARKETING SYSTEM (NOTING TECHNOLOGY AND CAPITAL REQUIRED TO MARKET PERISHABLE FRUITS SUCCESSFULLY), EXPRESSED U.S. OPPOSITION TO UNCTAD CONFIDENTIAL

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PAGE 03 OECD P 12619 07 OF 07 292338Z

LINER CONFERENCE CODE, AND GAVE BALANCED VIEW OF MNC ROLE IN TRADE AND DEVELOPMENT.

27. MEXICAN DEL MADE PRELIMINARY G-19 RESPONSE TO DC COMMENTS, SAYING SPECULATION WAS ONE FACTOR PREVENTING GREATER LDC SHARE OF TOTAL PRODUCT VALUE, ADVOCATING BUFFER STOCKS, AND COMPLAINING THAT HIGH TRANSPORT AND OTHER COSTS MADE IT UNPROFITABLE TO PROCESS MATERIALS IN LDC'S.

28. IN SEPARATE INTERVENTION U.S. DEL RESPONDED TO COMMENTS MADE ON BUFFER STOCKS BY NIGERIA EARLIER IN WEEK. HE NOTED U.S. VIEW THAT FACTORS OTHER THAN STOCK FINANCING HAD BEEN REASON FOR DIFFICULTIES IN NEGOTIATING COCOA AGREEMENT AND FOR PROBLEMS IN THE PAST RELATED TO SIZE OF TIN BUFFER STOCK. U.S. DEL REITERATED U.S. WILLINGNESS TO CONSIDER BUFFER STOCKS AS POSSIBLE MEASURE IN CONTEXT OF NEGOTIATIONS FOR SPECIFIC COMMODITY AGREEMENTS AND POINTED OUT THAT U.S. PROPOSALS FOR COCOA BUFFER STOCK HAD BEEN VOTED DOWN BY OTHER COUNTRIES.

29. AT END OF MEETING CO-CHAIRMAN MIYAZAKI SAID IT WOULD BE PREMATURE AND UNPRODUCTIVE TO TRY TO SUM UP AT THIS POINT IN CONFERENCE. NOTING DELS WERE AWARE OF EACH OTHER'S VIEWS AND WOULD PRESUMABLY REFLECT ON THEM IN COMING WEEKS, HE EXPRESSED HOPE FOR MORE ACTIVE DIALOGUE AT JUNE SESSION. COMMISSION AGREED TO KEEP WORK PROGRAM ITEM 2 (PROBLEMS OF COMMODITY MARKETS AND TRADE EXPANSION: WAYS AND MEANS OF SOLVING THEM) OPEN FOR JUNE, AND TO MOVE TO SUBSEQUENT AGENDA ITEMS AS APPROPRIATE. MIYAZAKI NOTED UNCTAD-IV COULD GIVE IMPETUS TO COMMISSION WORK ON ITEM 2.
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Disposition Case Number: n/a
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Status: NATIVE
Subject: CIEC: APRIL ROUND - LAST DAY BEGIN SUMMARY. ON APRIL 28 CIEC APRIL ROUND ENDED AS
TAGS: EGEN, ENRG, ETRD, EFIN, EAID, OECD, CIEC
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Type: TE
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